

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10  
L-03 NSAE-00 PA-01 SP-02 SS-15 COME-00 EB-08  
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O R 190213Z MAY 78  
FM AMEMBASSY LIMA  
TO SECSTATE WASHDC IMMEDIATE 92  
INFO AMEMBASSY QUITO  
AMEMBASSY LA PAZ  
AMEMBASSY SANTIAGO

C O N F I D E N T I A L LIMA 4352

E.O. 11652: GDS  
TAGS: EFIN, PINT, PE  
SUBJECT: MAY 18 REACTIONS TO AUSTERITY MEASURES

REF LIMA 4312

1. SUMMARY. LIMA GENERALLY QUIET TODAY. PROVINCIAL CITIES REMAIN TENSE WITH TROOPS ON THE STREETS BUT, WITH EXCEPTION OF AREQUIPA AND NEW DISTURBANCES IN ICA, THERE APPEARS TO BE A SLIGHT TENDENCY BACK TO NORMAL ACTIVITY. LEFTIST GROUPS ARE NOW AGREED ON A GENERAL STRIKE SOME TIME NEXT WEEK, BUT DIFFER AS TO DATES; IT COULD WELL BE MAY 22-23. ADVANCE REPORT INDICATES ELECTORAL COMMISSION WILL RECOMMEND TWO WEEK POSTPONEMENT OF JUNE 4 ELECTION FOR TECHNICAL REASONS. END SUMMARY.

2. SITUATION IN LIMA MAY 18 - TRAFFIC AND COMMERCIAL ACTIVITY APPEARED ALMOST ENTIRELY NORMAL ON THE FOURTH DAY OF NEW AUSTERITY MEASURES. SOME TENSION STILL PREVAILS, BUT NO RPT NO CONFIRMED INCIDENTS OF VIOLENCE INVOLVING PERSONAL INJURY WERE REPORTED FOR THE SECOND  
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CONSECUTIVE DAY. BANKS ARE OPERATING NORMALLY, ALTHOUGH ACCORDING TO THE COMMUNIST WEEKLY "UNIDAD," 7 BANKWORKER LEADERS HAVE BEEN ARRESTED. POTENTIALLY EXPLOSIVE LINES AT STATE-OWNED SUPERMARKETS HAVE DISAPPEARED, AS NEW PRICES WENT INTO EFFECT TODAY. WE DO NOT YET HAVE A REPORT ON A 6:00 P.M. RALLY INN PLAZA SAN MARTIN, LEGALLY SCHEDULED WEEKS AGO, BY SMALL NON-COMMUNIST LEFTIST PARTY

FNTC, WHICH IS NOT INTENDED TO BE DISRUPTIVE, BUT COULD ATTRACT AGITATORS.

3. SITUATION IN THE INTERIOR MAY 18 - TROOPS CONTINUE TO PATROL THE STREETS OF AREQUIPA, AYACUCHO, CHICLAYO, CHIMBOTE, HUANCAYO AND ICA. COMMUNICATION WITH OUTLYING CITIES IS DIFFICULT, BUT WE HAVE HAD NO FURTHER REPORTS OF VIOLENT CLASHES, INJURIES OR DEATHS IN ANY OF THE CITIES. WE DO NOT YET HAVE ACCURATE INFORMATION ON THE NUMBER OF DETAINEES IN PROVINCIAL CITIES, BUT IT IS PROBABLY CONSIDERABLE. THE SITUATION IS REPORTEDLY CALM IN PIURA, TUMBES, TALARA AND TRUJILLO. IN CUZCO, THE STREETS ARE QUIET, SOME SHOPS ARE OPEN, AND THE TRAINS TO MACHU PICCHU ARE RUNNING. LOCAL AUTHORITIES THERE CANCELLED THE MAY 18 CEREMONIES COMMEMORATING THE 197TH ANNIVERSARY OF THE EXECUTION OF THE MESTIZO REVOLUTIONARY, TUPAC AMARU. TRANSPORT AND COMMERCIAL ACTIVITY IN AREQUIPA ARE ALMOST TOTALLY PARALYZED TODAY AND CLOSURE OF LOCAL MARKETS SINCE MONDAY IS CAUSING FEARS OF A FOOD SHORTAGE. IN ICA YESTERDAY ANGRY MOBS BURNED TWO CARS AND TRIED TO SET FIRE TO THE POLICE STATION.

4. GENERAL STRIKE CALL - ALL LEFTIST GROUPS APPEAR TO BE AGREED ON A GENERAL STRIKE NEXT WEEK BUT DIFFER AS TO DATES. COMMUNIST PARTY NEWS PAPER "UNIDAD" HEADLINED STRIKE CALL FOR MONDAY-TUESDAY, MAY 22-23. WE UNDER-CONFIDENTIAL

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STAND CGTP LEADERSHIP IS ALSO PROPOSING THESE DATES AND WILL HAVE FORMAL MEETING TO DECIDE ON THE EVENING OF MAY 19. ULTRA-LEFT CUL IS ADVOCATING A GENERAL STRIKE MAY 24-25-26. LOCAL UNIONS AFFILIATED WITH THE CGTP IN AREQUIPA, TACNA, PUNO, CUZCO AND MOQUEGUA ARE ALREADY OUT ON STRIKES OF INDEFINITE DURATION.

5. WE HAVE ADVANCE REPORTS THAT THE INDEPENDENT ELECTORAL COMMISSION IS RECOMMENDING TO THE PRESIDENT A TWO WEEK DELAY IN THE CONSTITUENT ASSEMBLY ELECTIONS FROM JUNE 4 TO JUNE 18 FOR ADMINISTRATIVE REASONS: THE POLLING STATIONS, BALLOTS, AND SELECTION OF ELECTION OFFICIALS WILL NOT BE COMPLETED IN THE PROVINCES BY JUNE 4. THE PRESIDENT WILL NOW HAVE TO DECIDE ON THIS RECOMMENDATION, AND HE WILL PROBABLY DO SO IN THE NEXT DAY OR TWO. ALTHOUGH THE RECOMMENDATION IS WELL JUSTIFIED ON ITS TECHNICAL MERITS (AND INDEED HAS POLITICAL SIGNIFICANCE IN VIEW OF APRA'S STRONGER CONSTITUENCIES IN THE PROVINCES) THE PRESIDENT MAY STICK TO JUNE 4 SO AS TO AVOID ANY ADVERSE POLITICAL REACTIONS IN THE CURRENT TENSE SITUATION.

6. THE EXCHANGE RATE REMAINED STABLE MAY 18 WITH BUYING RATE AT 149.65 AND SELLING RATE AT 150.40. CD RATE WAS UNCERTAIN, WITH TRANSACTIONS REPORTED IN 212/\$ TO 219/\$ RANGE. THERE IS SPECULATTON THAT THE CD RATE MAY WEAKEN SOMEWHAT; WE HAVE REPORTS OF NON-BANKING TRANS-ACTIONS AT 210/\$ BETWEEN EXPORTING AND IMPORTING FIRMS.

7. COMMENT: IT LOOKS AS IF THE CONFRONTATION IN THE PROVINCES WILL MERGE WITH THE GENERAL STRIKE SHOWDOWN IN LIMA NEXT WEEK, POSSIBLY MONDAY AND TUESDAY. SO FAR THE GOV'T HAS BEEN HIGHLY VISIBLE AND FIRM, WHILE AVOIDING VIOLENCE, IN DEALING WITH DISTURBANCES IN THE PROVINCES AND WE WOULD ASSUME IT WILL TRY TO DO THE SAME FOR THE GENERAL STRIKE.  
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8. ONE DISTURBING QUESTION RAISED BY VIRTUALLY ALL POLITICAL GROUPS AND INDEPENDENT JOURNALISTS IS WHY THE GOV'T HAS MADE NO DETAILED PUBLIC STATEMENT EXPLAINING THE NEW AUSTERITY MEASURES, AND WHY THEY WERE TAKEN. (THE BRIEF STATEMENT BY SILVA WHEN HE WAS SWORN IN, AS REPORTED IN LIMA 4272, WAS BRIEF AND VERY GENERAL.) THERE HAVE BEEN RUMORS ALL WEEK OF A TV APPEARANCE BY THE PRESIDENT OR THE FINANCE MINISTER, BUT AS OF THURSAY EVENING NOTHING OFFICIAL HAS BEEN ANNOUNCED. A RELATED, RECURRING RUMOR IS THAT THE PRESIDENT WILL MAKE AN EARLY ANNOUNCEMENT OF THREE MORE CIVILIAN MINISTERS: ENERGY AND MINES, HOUSING, AND HEALTH.  
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